

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3980-01
BILL NO.: HB 1915
SUBJECT: Economic Development; St. Louis; Taxation and Revenue - Sales and Use
TYPE: Original
DATE: February 22, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0 to \$816,000	\$0 to \$853,000	\$0 to \$887,000
Total Estimated Net Effect on <u>All</u> State Funds *	\$0 to \$816,000	\$0 to \$853,000	\$0 to \$887,000

*** This proposal is permissive and would have no fiscal impact without voter approval**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government *	\$0 to \$80,784,000	\$0 to \$84,447,000	\$0 to \$87,813,000

*** This proposal is permissive and would have no fiscal impact without voter approval.**

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state this proposal will establish the downtown revitalization act in St. Louis. The boundaries of the district are not totally clear in this bill. If the district includes a whole county or city, there is little or no impact to the DOR, however, if this is an entirely new tax that is collected in an area not within a city or county boundary it will have costs incurred. Based on a new tax with a new boundary, the DOR would need to notify those involved which would require a printed notice being mailed to an estimated 50,000 persons. Thirty three cents postage and .67 cents printing charges are forecast. Also, 822 hours of programming are estimated and a State Data Center charge of \$5,741 is forecast. The DOR is estimating expenses totaling \$82,201 if the tax zone is not an entire city or county.

Oversight assumes the boundaries established by this legislation will encompass all of the City of St. Louis and St. Louis County and therefore are projecting the DOR to be able to implement the proposed legislation with existing resources.

Missouri Department of Transportation officials state this proposal creates the Downtown Revitalization Act and describes the development of a district in St. Louis City and County. They assume the proposal will have no fiscal impact on their agency.

Officials from the **City of St. Louis** state that per the St. Louis Development Corporation, if the enabled sales taxes are passed in both St. Louis City and County, there will be an estimated \$400 million in present value tax revenue generated over the next seven years. They also state the proposal is enabling legislation and would need passage by voters before any fiscal impact would occur.

Officials from **St. Louis County** state though the proposed legislation could result in the collection of substantial additional sales tax in St. Louis County, this revenue would be dedicated to a downtown revitalization district. There would be no direct financial impact on St. Louis County.

Officials from the **Department of Economic Development** state this proposal will not fiscally impact their agency.

The **Office of Administration-Budget and Planning** assume this proposal would generate \$81.6 million in revenue to the district of St. Louis City and St. Louis County in FY 2001. In FY 2002 it is anticipated to generate \$85.3 million and in FY 2003 it is estimated to be \$88.7 million. These estimates are based upon a 4/10 cent sales tax levied and a growth rate of 4.5

ASSUMPTION(continued)

percent in FY 2002 and 4.0 percent in FY 2003.

Oversight assumes this proposal is permissive and would not have state impact unless voter approval occurred. For purposes of the fiscal note, Oversight estimated the possible revenues in a range of voters not passing such proposal to voters approving the measure at a rate of four tenths of one cent in May, 2000. This proposal has an emergency clause so the effective date of the tax could be as early as July 1, 2000, therefore, twelve months of revenue is estimated for FY 2001.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
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GENERAL REVENUE FUND

<u>Income</u> - to General Revenue Fund	\$0 to	\$0 to	\$0 to
1% collection fee	\$816,000	\$853,000	\$887,000

<u>FISCAL IMPACT - Local Government</u>	FY 2001	FY 2002	FY 2003
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DOWNTOWN REVITALIZATION TRUST FUND

<u>Income</u> - Sales Tax Proceeds*	\$0 to	\$0 to	\$0 to
	\$80,784,000	\$84,447,000	\$87,813,000

* This proposal is permissive and would require voter approval before the sales tax would be in effect.

FISCAL IMPACT - Small Business

A direct fiscal impact to certain small businesses may be expected because of higher sales tax in effect due to this proposal.

DESCRIPTION

This bill establishes the Downtown Revitalization Act. In its main provisions, the bill:

- (1) Establishes a Downtown Revitalization District for the City of St. Louis and St. Louis County for the purpose of fostering the economic vitality of the original downtown region within the district's boundaries. Management of the district is vested with a board of trustees;
- (2) Establishes a board of trustees and specifies the residency requirements, composition, duties, powers, and terms of service for the trustees;
- (3) Allows a district to impose a sales tax as discussed in Sections 144.010 to 144.525, RSMo. The tax will be used for the purposes of the district and will not exceed four-tenths of one cent on all retail sales within the district. The tax is subject to voter approval and if approved, the tax is subject to voter re-authorization every 7 years;
- (4) Allows the sales tax to be amended or repealed after a 7-- year period;
- (5) Requires that the approved sales tax be added to the sales price by retailers located in each district. The district is allowed to create tax brackets under Section 144.285;
- (6) Allows the district to enter into an agreement with the Director of Revenue who will administer and collect the tax;
- (7) Creates the Downtown Revitalization Trust Fund as a depository for all sales revenues collected;
- (8) Requires the district to keep accurate records of the tax revenues collected. The records are subject to inspection by the Department of Revenue and officials and trustees of the district;
- (9) Specifies the general powers of the district;
- (10) Requires the district to enter into a management agreement with a specified not-for-profit corporation. The corporation will provide management and administration services to the district;
- (11) Specifies procedures for the review of project proposals and recommendations;
- (12) Allows the board to audit or review the records and accounts of projects that receive funds from the district. The board can engage the services of independent auditors and accountants in order to perform the audits or reviews;

DESCRIPTION (continued)

(13) Requires the board to adopt a downtown plan for the district which is not inconsistent with the most recent plan adopted by the planning commission of a city in which the downtown area is located;

(14) Allows the district to issue bonds which will not constitute a debt or liability on the state, any agency, or political subdivision of the state;

(15) Requires the board to issue semi-annual reports which detail the revenue received and expended. The reports are available to any resident of the district upon request; and

(16) Requires the district to obtain insurance and allows the district to require companies providing operational and management services to obtain liability insurance.

The bill contains an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Office of Administration
 Budget and Planning
Department of Transportation
City of St. Louis
St. Louis County



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Director
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